Eco-Shop Marketing (ECOSHOP MK)

3QFY26: SSSG Weakness Prevails But Earnings Deliver

	BUY (Upgraded)
Share Price	RM1.30
Target Price	RM1.70
Upside	31.8%

Highlights

- Earnings are within expectations despite the sharp sustained SSSG contraction, which was more than offset by expanded margins.
- SSSG appears to have turned a corner whilst the impact from the Middle East conflict appears digestible.
- Upgrade to BUY following the sharp oversold de-rating. Fundamentals remain intact. Target price remains unchanged at RM1.70.

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3QFY26 Results

Year to 31 May (RMm)	3QFY26	qoq % chg	yoy % chg	9MFY26	yoy % chg	Comments
Revenue	743.7	4.0	1.0	2142.9	2.1	3QFY26 SSSG of -12.9% was offset by increased store count.
GP	251.2	7.3	21.8	702.9	24.1	Uplift from improved gross margins.
EBITDA	141.9	12.3	14.3	390.1	20.8	
PBT	98.1	15.5	15.7	263.2	23.7	
Profit	71.3	15.2	15.5	191.9	23.8	
Core PATAMI	71.3	15.2	14.4	191.9	25.2	Within expectations.
Margins	(%)	qoq ppt chg	yoy ppt chg	(%)	yoy ppt chg	
Gross Profit	33.8	1.0	5.8	32.8	5.8	Margin uplift following:- price exercise and reclassification of supplier rebate.
EBITDA	19.1	1.4	2.2	18.2	2.8	Gains in GP margin offset higher wages and electricity tariff.
Eff. tax rate	-27.3	-0.2	-0.1	-27.1	0.1	
Core Profit	9.6	0.9	1.1	9.0	1.6	

Source: Eco-Shop Marketing, UOB Kay Hian

Analysis

- **Within expectations.** Eco-Shop Marketing (Eco-Shop) registered a 3QFY26 core profit of RM71.3m (14.4% yoy, 15.2% qoq), which brought 9MFY26 core profit to RM191.9m (+25.2% yoy). This falls within expectations with earnings accounting for 75% of both our and consensus estimates. Highlights for the quarter include SSSG remaining soft at -12.9% for the quarter, but earnings grew nonetheless thanks to its raised ASPs and a mild impact from the Middle East conflict. SSSG has since trended favourably.

Key Financials

Year to 31 May (RMm)	2024	2025	2026F	2027F	2028F
Net turnover	2,404.0	2,787.5	3,229.8	4,179.3	4,901.1
EBITDA	316.8	376.7	456.2	543.1	659.8
Operating profit	213.3	253.8	313.0	368.3	420.4
Net profit (rep./act.)	177.3	212.4	258.1	300.3	338.9
Net profit (adj.)	177.3	212.4	258.1	300.3	338.9
EPS	3.3	3.7	4.5	5.2	5.9
PE	39.6	35.2	28.9	24.9	22.0
P/B	12.7	7.5	6.8	6.1	5.5
EV/EBITDA	22.4	18.9	15.3	13.8	11.4
Dividend yield	1.4	2.0	1.9	2.4	2.7
Net margin	7.4	7.6	8.0	7.2	6.9
Net debt/(cash) to equity	13.4	10.4	(2.3)	38.1	34.7
Interest cover	14.7	15.3	21.7	14.9	13.4
ROE	23.0	20.3	23.3	25.8	27.5
Consensus net profit	n.a	n.a	254.4	307.2	357.0
UOBKH/Consensus (x)	n.a	n.a	1.0	1.0	1.0

Source: Eco-Shop Marketing, Bloomberg, UOB Kay Hian

Stock Data

GICS Sector	Consumer Discretionary
Bloomberg ticker	ECOSHOP MK
Shares issued (m)	5,749.0
Market cap (RMm)	7,425.2
Market cap (US$m)	1,878.6
3-mth avg daily t'over (US$m)	3.1

Price Performance (%)

52-week high/low	RM1.66/RM1.13			
1mth	3mth	6mth	1yr	YTD
(5.2)	(18.9)	(10.4)	n.a	(11.6)

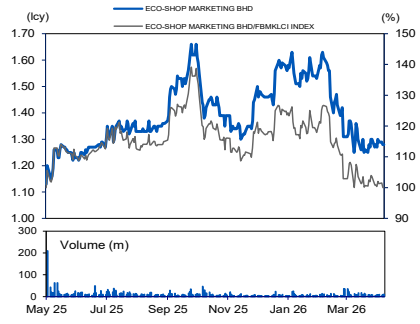
Major Shareholders %

Lee Kar Whatt	73.8

Balance Sheet Metrics %

FY26 NAV/Share	0.2
FY26 Net Debt/Share	0.0

Price Chart



Source: Bloomberg

Company Description

Eco-Shop is Malaysia's leading fixed-price retailer, offering affordable everyday essentials through a fast-growing nationwide store network.

- **Is the worst over?** 3QFY26 revenue eked out a gain of 1.0% yoy (4.0% qoq) amid SSSG contracting 12.9% yoy (2QFY26: -12.3%) that was offset by higher store count. The sharp SSSG contraction is primarily attributed to the fasting month falling within the quarter as opposed to the comparable 3QFY25. SSSG is set for a gradual recovery following supply normalisation at end-25. Improving trends in Mar 26 indicate early momentum that is likely to build sequentially. Growth should be supported by product refreshes, targeted promotions, and enhanced CRM initiatives aimed at boosting footfall, strengthening customer engagement, and driving repeat purchases.
- **Digestible impact from Middle East conflict.** 3QFY26 gross margin expanded by 5.8ppt yoy (+1.0ppt qoq) to 33.8% following the price increase in Apr 25, strengthening of the ringgit vs renminbi and reclassification of supplier rebate. The Middle East conflict and associated cost spillovers are expected to have a mild near-term impact on margins. Freight and logistics costs have risen by ~20%, alongside higher packaging costs and the repricing of 250 SKUs, collectively amounting to ~RM0.9m per month and translating to an estimated -0.4ppt drag on gross margins.
- **Earnings growth despite moderated margins.** In terms of operating margins, gains were tempered to 2.2ppt yoy (1.4ppt qoq). Higher overhead expenses on a yoy basis were due to the higher minimum wage impact and electricity tariffs. Core PAT margins were tempered a little further to 1.1ppt yoy (+0.9ppt qoq) following higher interest expense. Nevertheless, core PAT grew by 14.4% yoy despite the sharp SSSG contraction.

Valuation/Recommendation

- **Upgrade to BUY with an unchanged target price of RM1.70.** Following the Middle East conflict, EcoShop's valuations have de-rated by ~20%. We believe this already more than factors in sentiment-driven weakness and potential cost pressures, presenting an attractive entry point.
- We value Eco-Shop at 34.5x 2026F PE, which is the average of our valuation for 99SM (38.9x) and Mr. DIY (30.0x). However, 99SM does deserve a valuation premium given its index-linked status and superior capital efficiency. Eco-Shop merits a premium to Mr. DIY for by the former's more compelling growth trajectory from a significantly lower store base.

Earnings Revision/Risk

- **No changes to earnings.** Key risks include the strengthening of the renminbi against the ringgit and a sharp deterioration in consumer sentiment.

Margin Assumptions

	FY26F	FY27F	FY28F
Avg. base ASP (RM)	2.60	2.63	2.70
Gross margin (%)	31.0	30.5	30.9
Operating margin (%)	16.0	14.8	15.3

Source: Eco-Shop, UOB Kay Hian

Growth and Margin Outlook

	FY25F	FY26F	FY27F
Revenue (RMm)	3230	4179	4901
Growth yoy (%)	15.9	29.4	17.3
PAT (RMm)	258	300	339
Growth yoy (%)	21.5	16.4	12.9
3-year CAGR (%)	17.5	20.2	20.7
Gross Margin (%)	31.0	30.5	30.9
EBIT Margin (%)	11.5	10.7	10.4
PAT Margin (%)	8.0	7.2	6.9

Source: Eco-Shop, UOB Kay Hian

Environmental, Social, Governance (ESG)

Environmental
- Energy & emission efficiency. Eco-Shop achieved a 2.5% reduction in emission intensity in FYE 2024, lowering it from 24.63 to 24.02 tCO2e per million revenue in ringgit, even as store count grew from 240 to 297. LED lighting and passive architectural designs at key distribution centres drive energy conservation.
Social
- Workplace safety & inclusion. Eco-Shop has established a Health and Safety Committee and an OSHA committee that meets quarterly. These bodies oversee safety training, risk audits, and workplace wellness for its over 6,000 employees across operations.
Governance
- ESG oversight and independent validation. While Eco-Shop has not yet received external ESG certification, its sustainability disclosures are incorporated in the IPO prospectus. Financial data, including ESG-linked reporting elements, has been reviewed and assured by PricewaterhouseCoopers (PwC) as part of their reasonable assurance report on the pro forma financials submitted to the Securities Commission Malaysia.

Source: Eco-Shop, UOB Kay Hian

Profit & Loss

Year to 31 May (RMm)	2025	2026F	2027F	2028F
Net turnover	2,788	3,230	4,179	4,901
EBITDA	377	456	543	660
Deprec. & amort.	123	143	175	239
EBIT	254	313	368	420
Total other non-operating income	52	60	77	91
Associate contributions	0	0	0	0
Net interest income/(expense)	(25)	(21)	(36)	(49)
Pre-tax profit	281	352	409	462
Tax	(77)	(94)	(109)	(123)
Minorities	0	0	0	0
Net profit	212	258	300	339
Net profit (adj.)	212	258	300	339

Balance Sheet

Year to 31 May (RMm)	2025	2026F	2027F	2028F
Fixed assets	812	1,031	1,512	1,520
Other LT assets	143	29	29	29
Cash/ST investment	21	124	57	51
Other current assets	874	1,008	1,272	1,497
Total assets	1,851	2,192	2,871	3,097
ST debt	124	99	99	99
Other current liabilities	371	352	455	524
LT debt	0	0	425	425
Other LT liabilities	366	635	666	687
Shareholders' equity	990	1,106	1,226	1,361
Minority interest	0	0	0	0
Total liabilities & equity	1,851	2,192	2,871	3,097

Cash Flow

Year to 31 May (RMm)	2025	2026F	2027F	2028F
Operating	319	227	295	413
Pre-tax profit	289	352	409	462
Tax	(72)	(94)	(109)	(123)
Deprec. & amort.	123	143	175	239
Associates	0	0	0	0
Working capital changes	(21)	(173)	(179)	(164)
Other operating cashflows	1	(1)	(1)	(2)
Investing	(520)	(89)	(509)	(99)
Capex (growth)	(118)	(90)	(510)	(101)
Investments	0	0	0	0
Proceeds from sale of assets	0	0	0	0
Others	(402)	1	1	2
Financing	166	(35)	147	(320)
Dividend payments	(150)	(142)	(180)	(203)
Issue of shares	420	0	0	0
Proceeds from borrowings	0	200	0	0
Loan repayment	0	0	425	0
Others/interest paid	(103)	(93)	(98)	(116)
Net cash inflow (outflow)	(34)	103	(67)	(6)
Beginning cash & cash equivalent	55	21	124	57
Changes due to forex impact	0	0	0	0
Ending cash & cash equivalent	21	124	57	51

Key Metrics

Year to 31 May (%)	2025	2026F	2027F	2028F
Profitability				
EBITDA margin	13.5	14.1	13.0	13.5
Pre-tax margin	10.1	10.9	9.8	9.4
Net margin	7.6	8.0	7.2	6.9
ROA	10.5	11.8	11.9	12.8
ROE	20.3	23.3	25.8	27.5
Growth				
Turnover	(13.7)	15.9	49.9	75.8
EBITDA	(17.4)	21.1	44.2	75.2
Pre-tax profit	(20.2)	25.3	45.8	64.5
Net profit	(17.7)	21.5	41.4	59.6
Net profit (adj.)	19.8	21.5	16.4	12.9
EPS	(17.7)	21.5	41.4	59.6
Leverage				
Debt to total capital	12.5	8.9	42.7	38.5
Debt to equity	12.5	8.9	42.7	38.5
Net debt/(cash) to equity	10.4	(2.3)	38.1	34.7
Interest cover	15.3	21.7	14.9	13.4

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